

FACT SHEET

MEDIUM- AND LONG-TERM REACHBACK POLICY

The term reachback refers to the amount of time that may elapse between “shipment” of goods and services and the date Ex-Im Bank receives a final commitment or medium-term insurance application for Ex-Im Bank financing. For all medium- and long-term transactions, other than transactions supported via Credit Guarantee Facilities (CGFs)¹, shipment of goods and services that occurred prior to the submission of a final commitment or insurance application to Ex-Im Bank may be eligible for Ex-Im Bank financing provided the shipments occurred within one of the following allowable time frames:

- Shipments that occurred on or after the date Ex-Im Bank issued the initial Letter of Interest. For such transactions, only shipments that occurred up to 24 months before Ex-Im Bank received a final commitment application are eligible;
- Shipments that occurred on or after the date Ex-Im Bank received the initial Preliminary Commitment application. For such transactions, only shipments that occurred up to 24 months before Ex-Im Bank received a final commitment application are eligible; and
- Shipments that occurred up to 12 months prior to the date Ex-Im Bank received the final commitment application or insurance application for the transaction.

The maximum reachback period is the earlier of the three dates summarized above.

OECD guidelines require repayment of an official export credit to start no more than six months after a specified date. This date is referred to as the “starting point” of the credit. The starting point is determined by the nature and timing of the transaction, not by the export credit agency.

The starting point is tied to one of the following events:

- (1) for an individual capital good, the starting point is the date when the exporter ships the good;
- (2) for multiple shipments of capital goods that can operate independently, the starting point is the midpoint of shipment of the goods;

¹ For CGFs, the reachback policy is to allow shipments to be included in the facility that occurred up to six months prior to the operative date of the facility.

(3) for complete factories or plants where the supplier has no responsibility for commissioning, the starting point is the date at which the buyer is to take physical possession of the entire equipment supplied under the contract;

(4) for a construction contract where the contractor has no responsibility for commissioning, the starting point is the date when construction has been completed; and

(5) for projects where the supplier or contractor is responsible for plant commissioning, the starting point is the date when the supplier or contractor has completed installation or construction and the preliminary tests are completed to ensure the plant is ready for operation.

When reachback is a relevant consideration in a transaction, it is possible that the date of final authorization could be past the starting point date. Ex-Im Bank policy is to reduce both the repayment term and the amount of cover by the number and amount of the installments that should have been paid according to the OECD prescribed repayment term schedule.

Example:

If an individual capital good were eligible for a five-year repayment term and shipment occurred one year prior to the final authorization date (which means the starting point of the credit would have been triggered requiring the first and second repayments to occur six- and twelve-months, respectively, after shipment), Ex-Im Bank would reduce the repayment term to four years and reduce the amount of the financing by 20%.

MORE INFORMATION

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